



# Audit and Risk Committee Charter

## 1. General

The Board of Directors at a meeting held 10 March 2017 has approved the following terms of reference for the Committee. The Committee has the authority to review, on behalf of the parent entity Board, matters arising in all entities in the economic entity including funds operated.

## 2. Objectives

The objectives of the Audit and Risk Committee will be:

- to assist the Board of Directors of each company in Talga Group to discharge their responsibility for externally reporting financial information, ensuring financial integrity and credibility of that reporting.
- to ensure that management has in place a process to identify and manage business risks.
- to seek to improve the quality of financial reporting, control systems and corporate governance of the Group.
- to oversee internal (if applicable) and external audit functions.
- to monitor and ensure the Talga Group Ltd conforms with requirements of all relevant legislation and regulatory bodies including the Corporations Act 2001 and Australian Securities & Investments Commission ("ASIC"), the Australian Income Tax Acts and the Australian Taxation Office, the ASX and any relevant foreign country regulatory requirements.

## 3. Composition

### 3.1. Eligibility and appointment

Committee members will be members of the Board of Directors of any corporate entity within Talga Group.

The Committee will consist of a majority of non-executive Directors. The Chairman of the Committee shall be a non-executive Director of the company. A Secretary will be selected and appointed by the participating members.

The Managing Director and CFO are not eligible to be committee members although may be invited to attend Committee meetings as appropriate.

### 3.2. Tenure

Committee members shall be appointed by the Talga Group Board for an initial two-year term of office after which their appointment may be subject to annual rotation determined by the Board.

### 3.3. Role of the Committee Chairman

The Chairman will be responsible for:

- Planning and conducting meetings;
- Overseeing reporting to the Board; and
- Advising the Board in the selection of Committee members.

### 3.4. Committee Secretary

The Secretary shall be responsible for:

- Minutes of Committee meetings taken and distributed;
- Facilitating appropriate communications between the Committee and Board, including ensuring that the Board receive reports which keep them adequately informed of the Committee's activities; and
- Providing supporting documentation to the Board for Committee recommendations.

### 3.5. Meetings

A quorum of two (2) Committee members, including at least one (1) independent (non-executive) Director is required.

Meetings are to be held approximately one (1) time per year. The Secretary will be required to give reasonable notice of a meeting. Other officers of the Group or external persons may be invited to attend Committee meetings. The Chairman will call a meeting of the Audit and Compliance Committee if so requested by any Committee member, and Director or the Auditors.

The Chairman of the Committee shall report the findings and recommendations of the Committee to the appropriate Board after each Committee meeting.

## 4. Function and Responsibility

### 4.1. Risk Management and Control Environment

The Committee takes responsibility for:

- monitoring corporate risk assessment and the internal controls instituted.
- monitoring the establishment of an appropriate internal control framework, including information systems, and considering enhancements.
- reviewing external audit programs/reports to ensure that where deficiencies in controls or procedures have been identified, appropriate remedial action is taken by management.

### 4.2. Financial reporting

The Committee shall examine and consider and matters relating to the financial affairs of the Group and its external audit that it considers necessary, including:

- reviewing financial statements and other financial information distributed externally.
- monitoring the procedures in place to ensure compliance with accounting standards, Corporations Act 2001 and ASIC requirements, and any other statutory requirements applicable.

### 4.3. Compliance

In relation to its compliance functions, the Committee shall consider any matters relating to the ongoing compliance of Group activities, particularly in respect of the various applicable laws and legislation and the regulators responsible for them.

#### 4.4. Audit Functions

The Committee shall be responsible for:

- reviewing the nomination, performance and remuneration of the external auditors.
- liaising with the external auditors and ensuring that the annual audits and half-year statutory reviews are conducted in an effective manner.
- evaluating the need for an internal audit function.

#### **Procedure for Selection, Appointment and Rotation of External Auditor and Audit Engagement Partners**

##### **Mandatory criteria**

Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence throughout the engagement period. Further, the successful candidate must have arrangements in place for the rotation of the audit engagement partner in accordance with professional standards as current from time to time, including part 2M.4 Division 5 of the Corporations Act 2001.

##### **Other criteria**

Other than the mandatory criteria mentioned above, the Committee may select an external auditor based on criteria relevant to the business of the Company such as experience in the industry in which the Company operates, references, cost and any other matters deemed relevant by the Committee. The Committee may consider matters outlined in the Australian Securities and Investment Commission Information Sheet 196 Audit quality: The role of Directors and audit committees under the heading “Assessing potential and continuing auditors”.

The Committee will review the performance of the external auditor on an annual basis. The Committee may refer to the matters outlined in the Australian Securities and Investments Commission Information Sheet 196 Audit quality: The role of Directors and audit committees under the heading “Assessing potential and continuing auditors” when reviewing the performance of the external auditor.

#### 4.5. Other matters

The Committee shall:

- examine any other matters referred to it by any Board of the entities within the Group.
- act honestly and exercise the degree of care and diligence expected of a reasonable person.

## 5. Powers of the Committee

### 5.1. Access to information

The Committee has the authority to seek any information it requires from any officer or employee of Talga Group and such officers or employees shall be instructed by the Board to respond to such enquiries.

### 5.2. Independent advice

The Committee is authorised to take such independent professional advice as it considers necessary.

### 5.3. Communications with auditor

The Chairman has the authority of the Talga Group Board to deal directly with the appointed auditor.

### 5.4. Decision making

Where any Committee member (or ex-officio management representative) has a contrary view to a Committee decision, that view is to be reported to the relevant Board.

### 5.5. Review of terms of reference

These terms of reference will be formally reviewed by the Committee in April of each year. The Committee may make suggestions to the Board for changes to these terms. Only the Board has the power to change the terms of reference.